

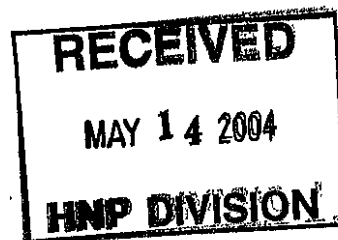


USA Properties Fund

RA7

May 14, 2004

James Lindsay
City of Milpitas
455 E. Calaveras Blvd.
Milpitas, CA 95035-5411



**Subject: Milpitas Senior and Family Project
South Main & Montague Expressway**

Dear Mr. Lindsay:

USA Properties Fund, Inc. (USA) is pleased to have submitted our entitlement application for our proposed project and look forward to working with the city and community to bring this project to fruition. Our proposed project will consist of two separate communities, a senior affordable community and a market rate general occupancy community.

The senior affordable housing component will consist of 120 one and two bedroom rental units within two buildings. There are 104 one-bedroom units that are approximately 600 SF in size, and 16 two-bedroom units of approximately 820 SF in size. The three buildings are all 5 stories total, with 4 stories of units over an at-grade parking podium. The senior component will feature a recreation building that will contain a gym, lounge, multi-purpose room, kitchen, and offices, and will provide access to an outdoor spa and recreation patio. Proposed rents would be below market rates with 35 units (29%) restricted to residents making 50% of median income, and 85 units (71%) restricted to residents making 60% of median income. Residents would be 55 years and older and would need to meet income restriction requirements. In the 3,800 senior units that USA currently operates, the typical renter profile is a single female 70 to 75 years of age, but couples of the same age group and single males are not uncommon.

The general occupancy component will feature 84 market rate units in three separate buildings. These buildings are three-story walk-up style with "tuck-under" garages that offer direct access to the units. The innovative building design provided by Humphreys and Partners Architects also features separate, direct access entrances to a majority of the units in each building, thus providing a more individual, single family feel. There are 24 one-bedroom units ranging from 686 SF to 942 SF, 51 two-bedroom/two-bath units

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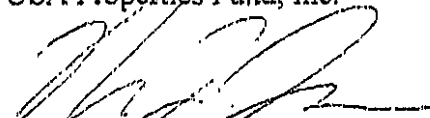
ranging from 948 SF to 1,285 SF, and 9 three-bedroom units ranging from 1,265 SF to 1,305 SF. The family community will also feature its own recreation building and an outdoor recreation deck with a pool and spa. The typical resident is expected to be mostly working people and professionals, either with one to two small children or without children, and empty nesters.

Founded in 1981, USA has acquired, developed, constructed, and currently owns and operates over 7,000 affordable senior and general occupancy housing units in California and Nevada. We have successfully developed almost all of our communities with the assistance of the respective local agencies and are proud of the successful public/private relationships we maintain as a result. We look forward to expanding our relationships to include the City of Milpitas.

Due to the below market rent restrictions to affordable housing, the proposed project requires financial assistance from the City's Redevelopment Agency. Please accept this letter as our request to enter into a development agreement for this project, and to request financial assistance from the City.

Thank you for your consideration. If you have any questions or comments, please feel free to contact me at (916) 773-6060, xt. 234, or email at mterzich@usapropfund.com.

Sincerely,
USA Properties Fund, Inc.



Milo L. Terzich, P.E.

Cc: Staci Pereira, City of Milpitas
Michael Hooper, Land Link Commercial
Geoff Brown, USA Properties Fund, Inc.
Katherine Klein, USA Properties Fund, Inc.